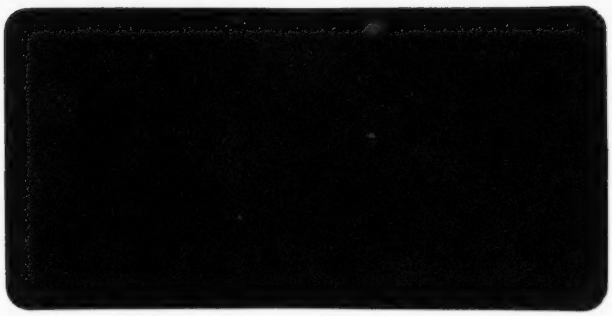
ECONOMIC

INNOVATION &

TECHNOLOGY

COUNCIL



Economic Innovation and Technology Council

Annual Report
2006 – 2007

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Letter of Transmittal

To the Honourable Jim Rondeau
Minister responsible for
the Economic Innovation and Technology Council
333 Legislative Building
Winnipeg Manitoba R3C 0V8

May it Please Your Honour:

I have the privilege of presenting the Annual Report of the Economic Innovation and Technology Council for the year ending March 31, 2007.

Respectfully submitted,

John Clarkson
Deputy Minister
Science, Technology, Energy and Mines

Economic Innovation & Technology Council

MANDATE, MISSION AND GOALS

The Economic Innovation and Technology Council (EITC) acts as a catalyst in establishing partnerships and alliances for increased economic development through innovation.

PRIORITIES

To be a catalyst and to focus on economic development through innovation, EITC's priorities will be in the areas of:
Development of partnerships to support community development exercises that are based on innovation;

- Diversification of economic development activities to support community economic development needs in the new economy;
- Support for the development of opportunities to enhance the government's economic development priorities of:
  - creating a skilled workforce
  - provide exciting opportunities for employment within communities
  - build on the existing provincial strengths in education, manufacturing, aerospace, financial services, health and agriculture
  - focus on energy intensive and new economy opportunities.

OPERATING GUIDELINES

The EITC Board is appointed by government and is currently made up of the following representatives:

- Hugh Eliasson (Chair)
- John Clarkson (Vice-Chair)
- Angela Mathieson
- Tannis Mindell

The EITC Board will meet at least four times per year and will be responsible for the approval of all expenditures related to EITC. A quorum for the board meetings will be defined as one of the Chair or Vice-Chair and at least two other members. To ensure timely treatment of issues, the board will also circulate material and use e-mail as a mechanism to approve expenditures.

EITC will provide quarterly reports to Treasury Board and the Community and Economic Development Committee of Cabinet on actions taken and the results of those actions. An annual report and audited financial statements will be provided reporting on the activities of EITC by July 31 of each year.

EITC will be supported the staff of the Strategic Planning and Analysis Division in the Department of Science, Technology, Energy and Mines.

Activities/Results

Targeted Geoscience Initiative II

In February 2005, the Government of Canada committed $25 million over five years to extend the mission of the Targeted Geoscience Initiative (TGI) Program, which has included two previous programs (TGI-1 in 2000–2003 and TGI-2 in 2003–2005). These are partnership programs delivered in collaboration with provincial geological surveys and with participation by industry and universities.

The TGI-3 Flin Flon project is an integrated, multidisciplinary geoscience study to aid in the discovery of new reserves of base metals in vulnerable, established mining communities of Manitoba and Saskatchewan (the area encompassing Flin Flon, Snow Lake, Leaf Rapids, Thompson–Wabowden (exclusive of the Thompson Nickel Belt), Lynn Lake, La Ronge and Creighton). The objective is to develop and test new geoscientific models, methods and approaches that will guide exploration in this highly prospective area of the Canadian Shield. The project has been developed through joint provincial-federal-industry consultation and will be delivered as a fully integrated tripartite partnership including the minerals industry, researchers from Laurentian and McGill universities, and geologists from the Manitoba Geological Survey (MGS), the Saskatchewan Geological Survey and the Geological Survey of Canada (GSC). In the Flin Flon areas, work in 2006 focused on a in a group of interrelated mapping projects spanning the Manitoba–Saskatchewan border. In October 2006, GSC staff and researchers from the University of Alberta conducted field tests at Flin Flon in preparation for a seismic survey to be completed in 2007. The goal of the Flin Flon projects is to integrate seismic results with surface mapping to produce a "3D knowledge cube" for this important mining area. Also in 2006 an airborne survey, funded by the GSC, was flown in the Wuskwatim Lake area west of Thompson. The resulting high-resolution aeromagnetic maps were used by MGS and GSC staff in new mapping and collection of isotopic data, to reinterpret the geology of the Kisseynew Domain west of the Thompson Nickel Belt (TNB). A major outcome of this work is the understanding that Thompson-type nickel mineralization may exist within the Ospwagan-like rocks in a 60 km wide zone west of the "known" TNB.

The 'Williston Basin Architecture and Hydrocarbon Potential' TGI-2 project, which formally ended in March 2005, continued to complete and publish project products. Cross-border correlations of the Bakken Formation, Three Forks Group stratigraphic interval coincided with the discovery of the Sinclair field, which is being explored for conventional oil. Co-operative maps and discussions between Manitoba and Saskatchewan have helped in the understanding of the dynamics of this new play. The compilation of all oil and gas shows throughout the Phanerozoic section has also been a useful exploration tool for the industry. The recently constructed, detailed and

accurate basin-wide model of the geohydrological dynamics of the Williston Basin system will be valuable for understanding oil-water migration pathways through the Phanerozoic section.

Manitoba Residential Retrofit Program

There are over 65,000 low income households in Manitoba, most often rental units with limited resources available for energy audits and upgrades. Manitoba Science, Technology, Energy and Mines' Energy Development Initiative has sparked community-based projects to meet this requirement in Brandon and in Winnipeg, with plans to offer the service to the Island Lakes region. An average home will see about $250 per year in energy savings and $200 per year in water savings. Some 120 homes will have been retrofitted under the program by fall 2007. This is expected to increase by 50% within the next calendar year.

Economic Innovation and Technology Council Financial Statements

March 31, 2007

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OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2007 and the statements of revenue, expenditure and funds retained, project revenue and expenditures and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 10, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Economic Innovation and Technology Council

Exhibit A

Balance Sheet

As at March 31

	2007	2006
Assets		
Current		
Petty cash	$	$ 400
Funds on deposit		
Minister of Finance		
Cash	11,110	32,783
Accounts receivable		
Province of Manitoba	4,109	3,376
Other	37,429	7,705
Prepaid expenses	893	7,289
	53,541	51,553
Investment in Manitoba Technology Centre Ltd. (Note 3)	1	1
	$ 53,542	$ 51,554
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 13,535	$ 9,375
Other	4,908	
Unearned project receipts	12,501	10,379
	30,944	19,754
Equity		
Funds retained (Exhibit B)	22,598	31,800
	$ 53,542	$ 51,554

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2007	2006
Revenue		
Government of Canada, program grant	$ 85,838	$ 46,213
Sundry		6,716
	85,838	52,929
Expenditure		
Operating expenses (Schedule 1)	95,040	130,095
Deficiency of revenue over expenditure	$ 9,202	$ 77,166
Funds retained, beginning of year	$ 31,800	$ 108,966
Deficiency of revenue over expenditure	9,202	77,166
Funds retained, end of year (Exhibit A)	$ 22,598	$ 31,800

Economic Innovation and Technology Council

Statement of Project Revenue and Expenditures

Exhibit C

Year Ended March 31

	2007	2006
Receipts (by Program/Project)		
Life Science Initiatives		
Contribution from Province of Manitoba (Note 4)	$ 7,500	$ 42,859
Program sponsors	570	3,421
Knowledge Based Initiatives		
Contribution from Province of Manitoba	85,950	
Program sponsors	5,500	
Energy and Climate Change Initiatives		
Contribution from Government of Canada	20,092	35,000
Contribution from Province of Manitoba (Note 4)	239,771	201,056
Program sponsors	24,632	90,562
Science and Technology Initiatives		
Contribution from Province of Manitoba (Note 4)	72,413	32,625
Targeted Geoscience Initiatives		
Contribution from Government of Canada	9,809	83,304
	466,237	488,827
Expenditure (by Program/Project)		
Life Science Initiatives	8,070	46,280
Knowledge Based Initiatives	91,450	
Energy and Climate Change Initiatives	284,495	326,618
Science and Technology Initiatives	72,413	32,625
Targeted Geoscience Initiatives	9,809	83,304
	466,237	488,827
Excess of revenue over expenditures retained	$ -	$ -

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31

	2007	2006
Increase (decrease) in cash and funds on deposit		
Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	$ (9,202)	$ (77,166)
Net changes in non-cash working capital balances		
Accounts receivable	(30,457)	114,185
Prepaid expenses	6,396	(6,521)
Accounts payable and accrued liabilities	9,068	(3,282)
Unearned project revenues	2,122	(177,286)
Net decrease in cash	(22,073)	(150,070)
Cash and funds on deposit, beginning of year	33,183	183,253
Cash and funds on deposit, end of year	$ 11,110	$ 33,183
Represented by:		
Cash	$	$ 400
Funds on deposit		
Minister of Finance		
Cash	11,110	32,783
	$ 11,110	$ 33,183

Economic Innovation and Technology Council
Notes to the Financial Statements
March 31, 2007

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognized as program expenditures are incurred.

3. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;

2. MTC continues to occupy premises owned by the Province of Manitoba; and

3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

A gain of $434,175 resulting from this redemption was recorded.

4. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

5. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

6. Financial instruments

The Council's financial instruments consist of cash, funds on deposit, accounts receivable, investment in Manitoba Technology Centre, accounts payable and accrued liabilities and unearned project receipts. It is management's opinion that the Council is not exposed to significant credit or interest rate risk. The fair value of these financial instruments approximates their carrying values.

Economic Innovation and Technology Council
Schedule of Expenses

Schedule 1

Year Ended March 31

	2007	2006
Advertising and promotion	$	$ 15,000
National Research Council - Industrial Research Assistance Program	85,838	46,217
Council activities	4,000	24,700
Printing and stationery	200	160
Professional fees	5,520	5,350
Purchased services		14,172
Rental and property tax	36	4,496
Travel	(554)	20,000
	$ 95,040	$ 130,095

Conseil de l'innovation économique et de la technologie

Rapport annuel
2006 – 2007

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Lettre de présentation

Monsieur Jim Rondeau
Ministre responsable du
Conseil de l'innovation économique et de la technologie
Palais législatif, bureau 333
Winnipeg (Manitoba) R3C 0V8

Monsieur le Ministre,

J'ai le privilège de vous soumettre le rapport annuel du Conseil de l'innovation économique et de la technologie pour l'exercice se terminant le 31 mars 2007.

Veuillez accepter, Monsieur le Ministre, l'expression de mon profond respect.

Le sous-ministre des Sciences,
de la Technologie, de l'Énergie et des Mines,

John Clarkson

Conseil de l'innovation économique et de la technologie

MANDAT, MISSION ET OBJECTIFS

Le Conseil de l'innovation économique et de la technologie joue le rôle de catalyseur en ce qui concerne l'établissement de partenariats et d'alliances qui favorisent le développement économique par le biais de l'innovation.

PRIORITÉS

Pour servir de catalyseur et concentrer son action sur le développement économique par le biais de l'innovation, le Conseil s'est fixé les priorités suivantes :

- formation de partenariats qui appuient les projets de développement communautaire fondés sur l'innovation;
- diversification des activités de développement économique afin d'aider les collectivités à combler leurs besoins en la matière, dans le cadre de la nouvelle économie;
- efforts pour susciter des occasions de renforcer les priorités du gouvernement en matière de développement économique, à savoir :
  - créer une main-d'œuvre qualifiée;
  - fournir des possibilités d'emploi intéressantes dans les collectivités;
  - miser sur les forces provinciales existantes dans les domaines de l'éducation, de l'industrie manufacturière, de l'aérospatiale, des services financiers, de la santé et de l'agriculture;
  - se concentrer sur les possibilités dans la nouvelle économie et dans les secteurs à forte intensité énergétique.

PRINCIPES DE FONCTIONNEMENT

Le conseil d'administration du Conseil de l'innovation économique et de la technologie est nommé par le gouvernement et comprend les membres suivants :

- M. Hugh Eliasson (président)
- M. John Clarkson (vice-président)
- M^{me} Angela Mathieson
- M^{me} Tannis Mindell

Le conseil d'administration du Conseil de l'innovation économique et de la technologie se réunit au moins quatre fois par an et doit autoriser toutes les dépenses liées au Conseil. Le quorum requis pour les réunions du conseil comprend le président ou le vice-président et au moins deux autres membres. Afin que les questions soient traitées dans un délai convenable, le conseil distribue des documents et envoie des messages par voie électronique pour l'autorisation des dépenses.

Le Conseil de l'innovation économique et de la technologie fournit au Conseil du Trésor et au Comité du Cabinet chargé du développement économique et communautaire des rapports trimestriels décrivant ses activités et les résultats de celles-ci. Le Conseil présente également, au plus tard le 31 juillet de chaque année, un rapport annuel et des états financiers vérifiés portant sur ses activités.

Le personnel de la Division de la planification stratégique et de l'analyse du ministère des Sciences, de la Technologie, de l'Énergie et des Mines appuie les activités du Conseil de l'innovation économique et de la technologie.

Activités et résultats

Initiative géoscientifique ciblée II

En février 2005, le gouvernement du Canada s'est engagé à verser 25 millions de dollars sur cinq ans afin de permettre la poursuite de l'Initiative géoscientifique ciblée, laquelle comprenait déjà deux programmes antérieurs, soit l'Initiative géoscientifique ciblée I (2000-2003) et l'Initiative géoscientifique ciblée II (2003-2005). Ces programmes sont exécutés en partenariat avec les commissions géologiques provinciales et avec la collaboration de l'industrie et des universités.

L'Initiative géoscientifique ciblée III visant la région de Flin Flon est une étude géoscientifique intégrée et multidisciplinaire qui a pour but de faciliter la découverte de réserves de métaux communs dans des collectivités minières déjà établies mais vulnérables du Manitoba et de la Saskatchewan. La région englobe Flin Flon, Snow Lake, Leaf Rapids, la zone de Thompson-Wabowden (à l'exception de la ceinture nickélifère de Thompson), Lynn Lake, La Ronge et Creighton). L'objectif est d'élaborer et de tester de nouveaux modèles et de nouvelles méthodes et approches géoscientifiques qui guideront l'exploration de cette région du Bouclier canadien présentant un fort potentiel en métaux commun. Le projet a été élaboré dans le cadre d'une consultation mixte d'intervenants fédéraux, provinciaux et industriels. Sa mise en œuvre repose sur un partenariat tripartite entièrement intégré comprenant l'industrie des minéraux, des chercheurs des universités Laurentienne et McGill, ainsi que des géologues des Levés géologiques du Manitoba, de la Saskatchewan Geological Survey et de la Commission géologique du Canada. En 2006, les activités visant la région de Flin Flon portaient essentiellement sur un groupe de projets de cartographie interdépendants couvrant la frontière entre le Manitoba et la Saskatchewan. En octobre 2006, des employés de la Commission géologique du Canada et des chercheurs de l'Université de l'Alberta ont effectué des tests sur place à Flin Flon, en prévision d'un levé sismique qui sera terminé en 2007. L'objectif des projets de Flin Flon est d'intégrer les résultats sismiques aux données cartographiques de surface pour produire un « cube de connaissances tridimensionnel » concernant cette importante région minière. De plus, en 2006, un levé aérien, financé par la Commission géologique du Canada, a été effectué au-dessus de la région du lac Wuskwatim, à l'ouest de Thompon. Les cartes aéromagnétiques à haute résolution obtenues ont permis au personnel de Levés géologiques du Manitoba et de la Commission géologique du Canada de réaliser de nouveaux travaux de cartographie et d'analyses isotopiques, dans le but d'obtenir une nouvelle interprétation de la géologie du Domaine de Kisseynew, à l'ouest de la ceinture nickélifère de Thompson. L'un des résultats importants de ces travaux est la réalisation qu'une minéralisation nickélifère semblable à celle de la ceinture de Thompson pourrait reposer au sein des roches du type de celles du Groupe

d'Ospwagan, qui se trouvent dans une zone de 60 km de largeur située à l'ouest de la ceinture nickélifère « connue » de Thompson.

L'Initiative géoscientifique ciblée II sur « l'architecture géologique du bassin de Williston et son potentiel en hydrocarbures » a pris fin officiellement en mars 2005, mais on a poursuivi des travaux afin de terminer et de publier les documents connexes. Les corrélations stratigraphiques transversales entre les juridictions provinciales des formations Bakken et Three Forks coïncident avec la découverte du champ Sinclair, qui est exploré actuellement pour du pétrole conventionnel. Des cartes coopératives et des discussions entre le Manitoba et la Saskatchewan ont aidé à comprendre la dynamique de cette nouvelle étendue. Une compilation de toutes les traces de pétrole et de gaz dans la zone phanérozoïque s'est avérée un outil d'exploration pratique pour l'industrie. Récemment construit, le modèle détaillé et exact de la dynamique hydrogéologique du bassin de Williston est un outil précieux qui nous permettra de comprendre les voies de migration du pétrole et de l'eau dans la zone phanérozoïque.

Programme d'amélioration énergétique des résidences du Manitoba

Il existe au Manitoba plus de 65 000 ménages à faible revenu, la plupart vivant dans des unités locatives et disposant de ressources limitées pour entreprendre une inspection ou des améliorations énergétiques de leur domicile. L'Initiative de développement énergétique de Sciences, Technologie, Énergie et Mines Manitoba a fait naître des projets communautaires en vue de répondre à cette exigence à Brandon et à Winnipeg, et compte offrir ce service aux résidants de la région d'Island Lakes. L'initiative devra permettre à une personne vivant dans une résidence moyenne d'épargner chaque année environ 250 $ en coûts énergétiques, et 200 $ en coûts pour l'eau. D'ici l'automne 2007, quelque 120 foyers auront été modernisés en vertu de ce programme. Ce total devrait augmenter de 50 % au cours de la prochaine année civile.